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SUBJECT: AUSTRALIA TRADE POLICY UPDATE: BEEF DECISION CLOSE?

REF: 08 CANBERRA 903

¶1. (SBU/NF) Summary: We are hearing rumors of possible movement on Australia's ban on imports of US beef. The GOA is "disappointed" at the delay in Trans-Pacific Partnership. Australia signed an FTA with the ASEAN countries and New Zealand that has been positively received, and covers 21% of Australia's current trade. It is the first multilateral FTA for Australia, and comes at a time when a pro-free trade signal is important. Australia has concluded a feasibility study for a bilateral FTA with Indonesia. End summary.

BEEF - MOVEMENT?

¶2. (SBU/NF) David Garner, chief of staff to Trade Minister Crean, told econoff that a resolution to the ban on imports of US beef is "in the system" but has been encountering "pushback." (Australia has banned the import of all US beef products since late 2003 due to BSE.) Garner said Crean is trying to find a way to move a decision forward. Garner added that they recognized that, given Australia's strong position to date banning the import of beef from countries with BSE, Australia's position was "fraught" should a BSE outbreak occur here.

¶3. (SBU/NF) AgCouns was recently told by Department of Agriculture, Fisheries and Forestry officials that allowing US beef imports will require a political decision. Officials from Biosafety Australia and the Australian Quarantine and Inspection Service told AgCouns that BSE issues are under review - and that the review was closed to being finished. They also said that the issue will require a decision at political level.

DISAPPOINTMENT AT TPP DELAY

¶4. (SBU/NF) Garner told econoff that Crean was "disappointed" by the US decision to seek postponement of the first round of talks on the Trans-Pacific Partnership, but understood the new Administration's desire to review its policies. Trade adviser George Mina said Crean still very much wants to move forward on TPP and on the Doha Round, and that would like to set up communications with the new US Trade Representative once confirmed with WTO/Doha still at the top of the agenda.

FTA WITH ASEAN, NEW ZEALAND SIGNED

¶5. (U) Trade ministers from Australia, New Zealand, and the ten ASEAN countries signed the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) on February 27 in Thailand, the agreement to go into effect when Australia, New Zealand and at least four ASEAN members have ratified, by no later than January 1, 2010. This culminates over 15 years of effort since the Hawke government first floated the idea of links between the ASEAN Free Trade Area and the Australia-New Zealand Closer Economic Relations agreements, and concludes just under four years of actual negotiations.

¶6. (U) As noted in reftel A, AANZFTA covers a lot of ground for Australia. In 2007-08, trade with the ten ASEAN states accounted for 17% of Australia's total trade; include New Zealand and AANZFTA comprised over 21% of Australia's trade that year, compared to top three trade partners China (13%), Japan (12%), and the US (10%). With trade growing an average of 10% per year since 1997, ASEAN is of increasing importance to Australian business.
Qto Australian business.

¶7. (U) Trade Minister Simon Crean highlighted some of the FTA's main points, noting it will bind current low tariffs and eventually will eliminate tariffs on at least 90% of tariff lines, covering 96% of Australia's current exports to ASEAN/NZ. DFAT highlighted that by 2020 Australia would have duty-free access for 99% of tariff lines to Thailand, 97% Malaysia, 96% Indonesia, 96% Philippines, and 91% Vietnam. Austrade estimated it would create 18,500 jobs in Australia. Crean noted that the region would be "almost a completely free trade zone" for Australian pharmaceutical exports (A\$600 million/US\$420m), and most higher tariffs on chemicals and

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electrical machinery will be eliminated in Australia's major ASEAN markets.

¶8. (U) Autos were a mixed bag (reftel). Australia will eliminate tariffs on autos from all ASEANS, but the phase-out of Australian tariffs will be slower with respect Indonesia, Malaysia, and Thailand. Even after final tariff cuts have been implemented, Indonesia and Vietnam will retain tariffs of up to 50% on a wide range of cars. Malaysia and Thailand agreed to abolish tariffs on Australia cars, but on a delayed basis (2017 and 2020 respectively).

¶9. (U) Other areas where significant restrictions will remain with various of the ASEANS (not Singapore, which has a good bilateral FTA with Australia) include dairy products, some agricultural goods, and machinery. The agreement includes regional rules of origin, commitments in several services sectors including professional services, construction and mining-related services, education, financial services and telecommunications.

¶10. (SBU) AANZFTA includes an "Economic Cooperation Work Programme" as an integral part of the FTA. The program includes support for the ASEAN Secretariat (ASEC) in implementing AANZFTA. The program covers: rules of origin and other aspects of implementing tariff commitments; sanitary and phytosanitary measures; standards, technical regulations and conformity assessment procedures; services; investment; intellectual property; sectoral integration; and customs. The work program is expected to cost A\$20-25 million, with the GOA providing the bulk of the funding.

REACTIONS TO AANZFTA

¶11. (U) Reaction to the AANZFTA among the Australian business community have been largely positive. The Business Council, the National Farmers Federation, the Minerals Council the Australian Industry Group, and Australian Chamber of Commerce and Industry all hailed the agreement (the Farmers regretting the ag exclusions).

¶12. (SBU) There are naysayers. The Council of Textile and

Fashion described the FTA as "another blow for the TCF industry in Australia". Their description is probably correct, since the FTA will see Australia eliminate its 17.5% TCF tariff by 2020. However, the textile, clothing, and footwear sector in Australia has been in a state of decline for a long time. One lobbyist specializing in trade issues with close ties to the Australian Labor Party told Embassy that he didn't understand why the reaction was so positive. He said the agreement contained almost no new benefits for Australian businesses, and wasn't worth the effort nor the applause.

¶13. (SBU) Comment: The GOA has trumpeted this deal as a major success; although the immediate economic impact may be muted, it is an important political accomplishment in increasing integration for Australia with its ASEAN neighbors. It also reflects the first multilateral agreement ever for Australia, giving Crean a multilateral success he can point to after criticizing the Howard government for focusing too much on bilateral FTAs. The positive media reaction was in part a function of the timing. As the global economic crisis spreads and signs of protectionism abound, it was a very positive signal that this FTA was signed - an especially important one for trade-oriented Australia. End comment.

FTAS: INDONESIA FEASIBILITY STUDY COMPLETED

¶14. (SBU) Trade Minister Crean and Indonesian counterpart Mari Pangestu on February 19 formally welcomed the final draft of a joint feasibility study of an FTA. Crean is keen to move on this agreement, but DFAT and Crean staff report that there has been no formal date set, pending Cabinet approval and Indonesian action. Indonesia is the 13th largest trade partner for Australia; in 2007-08 Australian exports to Indonesia totaled A\$5 billion (US\$3.5 bn at

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current rates) in goods and services. In other FTA news, the FTA with Chile entered into force on March 5, and also on March 5 Australia and Korea formally launched FTA negotiations.

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